

Message Text

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AMEMBASSY ANKARA

AMEMBASSY ATHENS

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY THE HAGUE

AMEMBASSY LISBON

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY OSLO

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AMEMBASSY STOCKHOLM

C O N F I D E N T I A L SECTION 01 OF 03 BONN 12229

LIMDIS

HELSINKI FOR HARTMAN

E.O. 11652: GDS

TAGS: PFOR, GW, UK, FR, CY, NEA

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SUBJECT: GISCARD AND WILSON VISITS TO FRG

1. SUMMARY: ECONOMIC POLICY WAS THE MAIN SUBJECT OF WILSON/SCHMIDT AND GISCARD/SCHMIDT MEETINGS JULY 24 AND 26. SCHMIDT PARTIALLY ADOPTED GISCARD'S VIEWS ON MONETARY POLICY. FRENCH ARE PESSIMISTIC ABOUT PORTUGAL. THEY BELIEVE OUTLOOK FOR NEAR EAST IS IMPROVING. FRG FOUND FRENCH ATTITUDES TOWARDS IEA, EUROGROUP AND MBFR TO BE NOT EVOLVING. PLUTON NOT DISCUSSED. SCHMIDT WAS IMPRESSED WITH WILSON'S INCREASED CONFIDENCE. BRITISH AND FRG AGREED TO CONSULT ON ICELANDIC FISHERIES PROBLEM. SCHMIDT FOUND BOTH GISCARD AND WILSON DISTURBED ABOUT COMMUNIST ELECTORAL GAINS IN ITALY. THE THREE HEADS OF GOVERNMENT AGREED ON THE DESIRABILITY OF IMPROVING THE EC. END SUMMARY

2. VAN WELL, FRG POLITICAL DIRECTOR, GAVE THE AMBASSADOR A WIDE-RANGING READ OUT ON JULY 28 OF THE RESULTS OF WILSON'S VISIT TO THE FRG ON JULY 24 AND GISCARD D'ESTAING'S VISIT OF JULY 26. HE SAID THAT SCHMIDT'S DISCUSSIONS WITH GISCARD COVERED A LOT OF GROUND, WERE POSITIVE, BUT TENDED TO BE INCONCLUSIVE SINCE BOTH LEADERS KNEW THAT THEY WOULD MEET AGAIN IN HELSINKI. SCHMIDT WAS IMPRESSED IN HIS TALKS WITH WILSON WITH THE LATTER'S INCREASED CONFIDENCE, WHICH HE BELIEVES IS BASED ON WIDE DOMESTIC SUPPORT FOR WILSON'S ANTI-INFLATIONARY POLICIES. THE SCHMIDT/WILSON DISCUSSIONS WERE MORE FOCUSED THAN THOSE WITH GISCARD, BUT ONCE AGAIN WERE INCONCLUSIVE GIVEN UPCOMING MEETINGS BETWEEN THE TWO.

3. ECONOMIC POLICY: THIS SUBJECT WAS THE MAIN TOPIC OF BOTH VISITS. VAN WELL SAID THAT SCHMIDT HAS MOVED TOWARD GISCARD'S POSITION ON MONETARY POLICY, BUT NOT TO THE POINT OF CALLING IT THE ONE CAUSE OF THE WEST'S CURRENT ECONOMIC PROBLEMS AS GISCARD DID. SCHMIDT SUPPORTED GISCARD'S DESIRE FOR A SUMMIT MEETING OF THE FIVE IN THE INTERESTS OF ACHIEVING RAPID ACTION, WHICH HE BELIEVES TO BE ESSENTIAL. HOWEVER, SCHMIDT REMAINS SKEPTICAL OF THE VALUE OF THE MEETING. SCHMIDT NOW FAVORS MANAGED EXCHANGE RATES IN ORDER TO AVOID THE

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LONG TERM DAMAGES OF A FREE FLOAT. HE DID NOT DISCUSS INTEREST RATES IN DETAIL WITH WILSON. THE LATTER

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DID SAY THAT THE UK WANTS TO REJOIN THE SNAKE EVENTUALLY.

4. SCHMIDT PRESSED WILSON TO COORDINATE THE UK'S
ECONOMIC POLICIES WITH THE FRG AND FRANCE AND BELIEVES
THAT WILSON WAS RECEPTIVE TO THE IDEA. HOWEVER, WILSON
PLACES A HIGHER PRIORITY ON HIS ANTI-INFLATION
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PROGRAM. WILSON WELCOMED THE FRG'S AND FRANCE'S MOVES TO STIMULATE THEIR ECONOMIES BECAUSE HE WANTS INCREASED DEMAND GENERATED IN BOTH COUNTRIES SO THAT BRITISH EXPORTS WILL BE STIMULATED.

5. BOTH WILSON AND GISCARD AGREED WITH SCHMIDT TO IMPRESS UPON PRESIDENT FORD THE NEED TO COORDINATE US ECONOMIC POLICIES WITH EUROPE'S. IN THIS REGARD, ALL THREE LEADERS PERCEIVE US POLICY AS UNDECIDED AND AGREED TO PRESS THE US TO ADOPT AN EXPANSIONARY POLICY. SCHMIDT IS ESPECIALLY DISTURBED BY THE DANGER TO POLITICAL STABILITY REPRESENTED BY AN ANTICIPATED FIVE AND ONE-HALF MILLION UNEMPLOYED IN THE FRG, UK AND FRANCE.

6. ENERGY: WILSON WAS SKEPTICAL ABOUT THE THREE COMMISSION APPROACH, BUT WILL PROBABLY GO ALONG WITH IT SINCE IT HAS DEVELOPED INTO A PRESTIGE QUESTION. WILSON CRITICISED THE FRENCH POSITION ON THE IEA, BUT SCHMIDT COMPARED FRENCH NON-PARTICIPATION TO THE UK'S RELUCTANCE TO JOIN IN A COMMON EC ENERGY POLICY. CALLAGHAN AGREED THAT A COMMON EC POLICY IS NECESSARY AND SAID THE UK IS READY TO ASSURE OIL SUPPLIES AS SOON AS REST OF EC NATIONS WILL ASSURE UK OF A PRICE OF \$7-8.

7. IMPROVING THE EC: BOTH THE UK AND FRANCE AGREED WITH THE FRG ON NEED TO IMPROVE THE WORKING OF THE EC. BRITISH ARE ESPECIALLY INTERESTED IN REDUCING COSTS. THEY WANT TO APPLY TO THE EC THEIR SYSTEM OF PARLIAMENTARY CONTROLS ON SPENDING THROUGH SET FINANCIAL CEILINGS. FRG AGREED WITH UK ON NEED TO REDUCE STAFF, PERHAPS THROUGH A NEW CONTROL SYSTEM. THESE SUBJECTS WILL BE DISCUSSED AT THE ROME COUNCIL MEETING IN NOVEMBER.

8. CYPRUS: VAN WELL STRESSED THE SERIOUSNESS OF THE SITUATION AND BELIEVES THE NEED FOR MOVEMENT ON NEGOTIATIONS AND THE RELATED QUESTION OF US MILITARY AID FOR TURKEY TO BE A FOREMOST PROBLEM FOR NATO. SUBJECT WAS DISCUSSED THOROUGHLY WITH FRENCH, LESS SO WITH BRITISH. ALSO DISCUSSED IN EC.
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9. ACCORDING TO VAN WELL, WESTERN LEADERS WHO TALK TO TURKS, GREEKS AND MAKARIOS AT HELSINKI SHOULD AGREE ON ONE OF TWO ALTERNATIVES. THE FIRST IS TO AGREE TO CONTINUE TO IMPRESS ON TURKS THE NEED FOR MODERATION,

NOT TO OVER-REACT TO THE VOTE IN THE HOUSE OF REPRESENTATIVES ON MILITARY AID, AND, AT THE SAME TIME, PRESS THE US TO REVERSE THE DECISION OF THE HOUSE. THE EUROPEANS SHOULD TRY TO MAKE THE TURKS FEEL LESS ISOLATED. IN ALL MEETINGS LEADERS SHOULD ADVOCATE COMPROMISE ON ALL PARTIES TO THE DISPUTE.

10. THE SECOND ALTERNATIVE IS FOR WESTERN LEADERS TO AGREE TO PUT TOGETHER A POLITICAL PACKAGE WHICH WILL OVERCOME THE PRESENT STALEMATE CAUSED BY THE UNWILLINGNESS OF ANY INDIVIDUAL PARTY TO MOVE BEFORE ANOTHER.

11. VAN WELL EMPHASIZED THE NEED FOR THE WESTERN LEADERS TO AGREE ON A COMMON APPROACH. FRG WILL RAISE THE NEED FOR COORDINATION AT THE EC LUNCHEON AT HELSINKI ON JULY 30 AND AGAIN AT THE QUADRIPARTITE LUNCHEON ON THE 31ST.

12. PORTUGAL: SCHMIDT WILL MEET WITH COSTA GOMES AT HELSINKI. DURING THE GISCARD VISIT, SAUVAGNARGUES WAS PARTICULARLY PESSIMISTIC ABOUT PORTUGAL. HE AND GENSCHER AGREED THE MODERATES ARE DROPPING BALL. SAUVAGNARGUES ATTRIBUTED THEIR POOR PERFORMANCE TO INERTIA AND WEAKNESS OF COSTA GOMES. GENSCHER BELIEVES THEIR NON-PARTICIPATION IS A CALCULATED, DESPERATE DECISION TO DISASSOCIATE THEMSELVES FROM A DETERIORATING ECONOMIC SITUATION.

13. NEAR EAST: SAUVAGNARGUES BELIEVES THE OUTLOOK HAS IMPROVED. HE BELIEVES THE US IS READY TO INTRODUCE MILITARY PERSONNEL TO PROTECT US CIVILIANS MANNING OBSERVATION POSTS AND THAT THIS NEW DEVELOPMENT

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C O N F I D E N T I A L SECTION 03 OF 03 BONN 12229

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IS POSITIVE. FRENCH ARE CONCERNED OVER EFFORTS TO
EXCLUDE ISRAEL FROM UN.

14. ICELANDIC FISHERIES: FRG WANTS TO COORDINATE
BRITISH AND GERMAN NEGOTIATING STRATEGY AND PRESSED
WILSON AND CALLAGHAN ON THIS POINT. FRG WANTS NO
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NEGOTIATIONS BEFORE SEPTEMBER. BRITISH AGREED TO
CONSULT WITH FRG, BUT MAY UNDERTAKE NEGOTIATIONS
EARLIER. CALLAGHAN SAID THAT A 200 MILE ZONE IS
INEVITABLE AND THAT UK AND FRG SHOULD USE THIS CARD IN
NEGOTIATIONS BEFORE A DEVELOPING TREND IN THE LOS MAKES
ITS ADOPTION A FAIT ACCOMPLI. THE UK AND FRG SUBSTANTIVE
POSITIONS ARE SIMILAR, BUT NOT IDENTICAL BECAUSE OF
DIFFERENCES IN THE MAKE-UP OF THEIR RESPECTIVE FISHING
FLEETS. (FRG RELIES ON FREEZER BOATS, WHICH ICELAND IS
TRYING TO PROHIBIT.)

15. STOCKHOLM SOCIALIST CONFERENCE: SCHMIDT AGREED TO
A SUGGESTION BY WILSON THAT THE CENTRAL TOPIC OF THE
STOCKHOLM SOCIALIST MEETING SHOULD BE BROADENED BEYOND
PORTUGAL TO INCLUDE THE GENERAL PROBLEM OF COMMUNIST

PARTICIPATION IN NATO AND EC GOVERNMENTS.

16. ITALY: SCHMIDT DISCUSSED COMMUNIST GAINS WITH WILSON, WHO SAID HE SEES AN INEVITABLE MOVE BY THE COMMUNISTS TOWARD CONTROL OF THE GOVERNMENT. BRITISH INTEND TO INTENSIFY THEIR CONTACTS WITH THE SOCIAL DEMOCRATS.

17. PLUTON: IN REPLY TO A QUESTION FROM THE AMBASSADOR, VAN WELL SAID TO NEITHER GENSCHER'S NOR HIS KNOWLEDGE WAS PLUTON DISCUSSED WITH GISCARD. HE LAMENTED THE EXTENSIVE PRESS SPECULATION ON THIS POINT PRIOR TO THE VISIT. VAN WELL SAID THAT THE FRENCH ARE INCREASINGLY NERVOUS ABOUT THE MEETING OF THE EUROGROUP SCHEDULED FOR NOVEMBER 5 AND THE EUROGROUP'S ATTEMPTS TO ESTABLISH A TWO WAY STREET WITH THE US IN PROCUREMENT THROUGH CLOSER EUROPEAN ARMS COOPERATION. VAN WELL ADDED THAT, WHILE FRENCH MEMBERSHIP IN THE EUROGROUP IS FORECLOSED BY DOMESTIC OPPOSITION, AND FUTURE FRENCH POLICY IS NOT CLEAR, THE SUBJECT OF ARMS COOPERATION IS RIPE FOR DISCUSSION WITH THEM IN AN QUOTE UNSTRUCTURED MANNER END QUOTE.
HILLENBRAND

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